LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 8008 **DATE PREPARED:** Jan 20, 1999
BILL NUMBER: HB 1952 **BILL AMENDED:**

SUBJECT: Smart growth land conservation.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill prevents various state agencies from funding growth-related projects in certain areas. This bill establishes the Indiana Smart Growth Council. The bill also establishes the Hoosier Legacy Fund to provide matching funds to eligible projects under the United States Department of Agriculture's Farmland Preservation and Forest Legacy Programs. The State Board of Tax Commissioners must give priority to school construction projects that: (1) renovate or expand existing school buildings; (2) serve existing neighborhoods; (3) do not convert or contribute to the conversion of agricultural lands; and (4) do not require new water or sewer infrastructure. This bill provides a tax credit for job creation in certain municipal areas.

Effective Date: July 1, 1999; January 1, 2000.

Explanation of State Expenditures: This bill establishes the Indiana Smart Growth Council, which consists of 23 members. Each member is entitled to receive the same per diem, mileage, and travel allowances paid to individuals who serve as legislative and lay members of interim study committees established by the Legislative Council. The impact of this provision will depend on the number of meetings held by the Council, the mileage required, per diem, and related expenses. Legislative members receive per diem of $117 per day and lay members receive $50 per day (state employees do not receive per diem). All members are entitled to a travel reimbursement of $.28 per mile.

The bill also establishes the Hoosier Legacy Fund to provide matching funds to eligible projects under the United States Department of Agriculture's Farmland Preservation and Forest Legacy Programs. The Department of Natural Resources is to administer the fund. The expenses for administering the fund are to be paid from money in the fund.

The Department of Revenue will experience additional expenses associated with a tax credit for job creation in certain municipal areas. The Department will need to change tax forms, instructions, and computer programs to accommodate the new credit; however, the Department should be able to absorb the additional costs given its current budget.

Explanation of State Revenues: The Hoosier Legacy Fund consists of appropriations made by the General Assembly, gifts and donations; federal grants; or money from other sources. This provision will allow the fund to also accept revenues from nonstate sources. The Treasurer of State is to invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Money in the fund at the end of the fiscal year does not revert to the State General Fund.

This bill provides that the Department of Commerce, the State Budget Agency, the Department of Transportation, and the Department of Environmental Management may not fund a growth-related project in an area that is not a priority funding area. (A priority funding area is defined by the boundaries of a municipality or zoned industrial areas served by a public or community water and sewer system contiguous to the municipality.) This provision will have an indeterminable impact on the funding provided by the agencies. (Additional information will be forwarded when it becomes available.)

With respect to funding offered by the Department of Commerce, the provisions could result in some businesses or industries electing to locate outside of the state. The demand on state assistance may not be as great with the added restrictions. Currently, if businesses elect to locate outside of a municipality or in an area that requires new infrastructure, the business may apply to receive state financial assistance for infrastructure. The above provision could reduce the amount of state revenue used to finance infrastructure in underdeveloped areas.

This bill also provides a tax credit for job creation in certain municipal areas. A taxpayer is entitled to a credit against the taxpayer's state tax liability for the establishment or expansion of a business facility located in a priority funding area that results in the creation of a specified number and type of jobs. The credit is the lesser of the number of qualified positions multiplied by $1,000, or the aggregate total of wages paid by the taxpayer to the qualified employees multiplied by 2.5%. The impact of this provision will depend on the number and nature of businesses that elect to locate in a priority funding area and the number and types of jobs created. Income tax revenue is deposited in the State General Fund and the Property Tax Replacement Fund..

Explanation of Local Expenditures: The State Board of Tax Commissioners must give priority to school construction projects that: (1) renovate or expand existing school buildings; (2) serve existing neighborhoods; (3) do not convert or contribute to the conversion of agricultural lands; and (4) do not require new water or sewer infrastructure. This provision will affect local expenditures by an indeterminable amount. The impact will depend on the number and nature of the construction projects.

Requiring businesses and industries to locate within a priority funding area could decrease costs to local units for providing, developing, or maintaining the necessary infrastructure to serve the new business or industry.

Explanation of Local Revenues:

State Agencies Affected: The State Board of Tax Commissioners, Department of Commerce, Department of Transportation, Department of Environmental Management, the Department of Revenue, the Department of Natural Resources, and any other agency that distributes state or federal money for growth-related projects.

Local Agencies Affected: All local units.

Information Sources: Leslie Richardson, Director, Division of Research, Department of Commerce (317) 232-8962.